

## Message Text

CONFIDENTIAL

PAGE 01 PRAGUE 00242 261202Z  
ACTION SIG-02

INFO OCT-01 ISO-00 ONY-00 /003 W  
-----261219Z 050439 /11  
R 251455Z JAN 77  
FM AMEMBASSY PRAGUE  
TO SECSTATE WASHDC 1942

C O N F I D E N T I A L PRAGUE 0242

STADIS//////////

FOR THE INSPECTOR GENERAL ONLY

E.O. 11652: GDS  
TAGS: ASIG, CZ  
SUBJECT: SPECIAL INSPECTION OF FBO

REF: STATE 253838

1. FOLLOWING RECEIPT OF REFTEL, I WANTED TO MAKE SPECIAL EFFORT HERE TO: (A) OBTAIN, THEN STUDY, ALLEGATIONS OF WIDESPREAD FBO IRREGULARITIES IN THE WASHINGTON POST ARTICLE OF AUGUST 14, 1976; (B) REVIEW THIS EMBASSY'S EXPERIENCES WITH FBO IN RECENT YEARS, PARTICULARLY THE PERIOD PRIOR TO MY ARRIVAL IN PRAGUE IN MAY 1976; AND (C) PREPARE THE FOLLOWING REPORT ON BASIS OF MY FINDINGS.

2. IN GENERAL, EMBASSY PRAGUE APPEARS TO HAVE HAD A SATISFACTORY AND BUSINESSLIKE RELATIONSHIP WITH FBO IN CONTRACTS OVER THE YEARS WITH FOREIGN FIRMS BIDDING ON PROJECTS AFFECTING US PROPERTY IN CZECHOSLOVAKIA. I KNOW OF NO INSTANCES OF IMPROPRIETY. IT MAY OR MAY NOT BE GERMANE TO NOTE, HOWEVER, THAT FOR A NUMBER OF YEARS THE THEIRGARTNER FIRM OF VIENNA WAS FAVORED WITH MANY  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PRAGUE 00242 261202Z

CONTRACTS FOR WORK ON EMBASSY PROPERTY. SOME OF THESE CONTRACTS WERE QUITE LUCRATIVE -- E.G., \$57,949.00 /F \$89,022.89 TOTAL EXPENDITURE FOR INSTALLATION IN 1970 OF A CENTRAL HEATING SYSTEM IN THE EMBASSY RESIDENCE COMPLEX. A REVIEW OF OUR FILES REVEALS THAT THEIRGARTNER WAS CONSISTENTLY THE LOW BIDDER ON SUCH PROJECTS. IN DECEMBER 1975,

THE EMBASSY CEASED, HOWEVER, WHAT HAD BECOME EXPENSIVE SEMI-ANNUAL INSPECTION FEES OF \$1200 (E.E. \$2400 PER YEAR) FOR THEIRGARTNER MAINTENANCE OF OUR HEATING PLANT. WE ASKED FOR AND RECEIVED FBO APPROVAL TO EXPLORE MAINTENANCE CONTRACTS WITH OTHER FIRMS AND SUCCEEDED IN WORKING OUT A CONTRACT WITH AN FRG COMPANY FOR MONTHLY CHECKUPS AND SEMI-ANNUAL INSPECTIONS FOR ONLY \$36.00 MONTHLY (\$432 PER YEAR).

3. SINCE THEN, WE HAVE MOVED FARTHER AWAY FROM DEALING WITH THIERGARTNER. FOR EXAMPLE, IN SUMMER 1976 WE WISHED TO RENOVATE THE EMBASSY'S GREENHOUSE. I UNDERSTAND (OUR ADMIN OFFICER WAS TOLD BY AN EMBASSY VIENNA OFFICER) THAT A THEIRGARTNER REP CONTACTED AN FBO AREA OFFICER IN WASHINGTON TO ELICIT HIS SUPPORT FOR THE GREENHOUSE HEATING INSTALLATION BID AND WAS PROMISED SUPPORT ONLY IF THE EMBASSY REQUESTED SUCH APPROVAL. THE EMBAIY SOUGHT COMPETITIVE BIDS, WITH THE FOLLOWING RESULTS: THEIRGARTNER BID \$12,000; KLOCKNER (FRG) \$9570; AND DUKLA CKD (CZECHOSLOVAKIA) \$6500. ON OUR RECOMMENDATION, FBO APPROVED THE LOW BID.

4. I WOULD LIKE TO POINTOUT THAT FBO HAS BEEN NOTABLY HELPFUL TO US SINCE MY ARRIVAL -- MAINLY IN SUPPORTING EFFORTS TO RENOVATE THE FACADE OF OUR 17TH CENTURY CHANCERY, A PROJECT BEING CARRIED OUT BY CZECHOSLOVAK TECHNICIANS AND ARTISANS. IN CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PRAGUE 00242 261202Z

THIS PROJECT, TOO, I AM UNAWARE OF ANY SIGNS OF IMPROPRIETY.

5. IN LIGHT OF THE ABOVE, HERE ARE MY VIEWS REGARDING THE SPECIFIC QUESTIONS RAISED IN PARA 2 REFTEL:  
(A) I SEE NO MALFEASANCE OF FBO PERSONNEL DURING MY ASSIGNMENT HERE. MOREOVER, I AM IN NO POSITION TO PASS JUDGMENT ON EXPENDITURES PRIOR TO THIS TIME.  
(B) MY ONLY SUGGESTION FOR IMPROVING FBO OPERATIONS IN CZECHOSLOVAKIA IN PARTICULAR -- AND PERHAPS CENTRAL EUROPE IN GENERAL -- WOULD BE TO CARRY OUT PRECISE COMPARATIVE COST SURVEYS PERIODICALLY, PERHAPS EVERY TWO OR THREE YEARS, OF AUSTRIAN, FRG AND ANY OTHER MAJOR CONTRACTORS OF THE AREA TO ENSURE THAT THE USG IS GETTING MAXIMUM QUANTITATIVE AND QUALITATIVE PERFORMANCE AT MINIMUM COST.

6. IF NEED BE THESE MATTERS CAN BE DISCUSSED WITH THE INSPECTORS DURING THEIR LATE MARCH VISIT HERE.

BYRNE

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 25-Jan-1977 12:00:00 am  
**Decaption Date:** 22 May 2009  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977PRAGUE00242  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770028-0354  
**Format:** TEL  
**From:** PRAGUE  
**Handling Restrictions:**  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770120/aaaaarqu.tel  
**Line Count:** 117  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 546b9ed1-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION SIG  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** ONLY  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** ONLY  
**Reference:** 77 STATE 253838  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 14-Jan-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3510479  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SPECIAL INSPECTION OF FBO  
**TAGS:** ASIG, CZ  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/546b9ed1-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009